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Better Buying Power

Defense Business Systems OIPT

October 25, 2011



- Better Buying Power (BBP) Initiatives
- Implementation within DBS OIPT
- BBP Example
- Business Capability Lifecycle (BCL) Model
- Summary





Better Buying Power Initiatives

- June 28, 2010 Mandate
- September 14, 2010 Guidance
- November 3, 2010 Implementation
 - Five Specific Areas of Concern:
 - Target Affordability and Control Cost Growth
 - Reduce Non-Productive Processes and Bureaucracy
 - Incentivize Productivity and Innovation in Industry
 - Promote Real Competition
 - Improve Tradecraft in Services Acquisition



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUN 28 2010

MEMORANDUM FOR ACQUISITION PROFESSIONALS

SUBJECT: Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending

Gates, the last year, implemented on another the Department

decline. the years accumulated that is, to "respect

T avoid making an efficient funding structure approximately continue

and, indeed, need to be done by conducting savings of efficiency of professional



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SEP 14 2010

MEMORANDUM FOR ACQUISITION PROFESSIONALS

SUBJECT: Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending

On June 28, I wrote to you describing a mandate to deliver better value to the taxpayer

and warfighter by supporting our highest priority in continuing to move ahead, but we will achieve what we MORE. This me

Secretary Initiative, of which \$400 billion of the (weapons, electronic services, knowledge transportation, etc.) targeted by this redirection of defense sought by Secretary

Since June Acquisition Executive officials, and projecting regularly Department's practices. We the Department has cases, the Guidance so that unintended preliminary estimate gradual, but steady indeed be substantial

Changing: We have sought to adopt in this Guidance experience in defense



THE UNDER SECRETARY OF DEFENSE
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NOV 03 2010

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending

As detailed in my September 14, 2010 Guidance to acquisition professionals, I am seeking to obtain greater efficiency and productivity in defense spending by pursuing initiatives in the following five areas: (1) Target Affordability and Control Cost Growth; (2) Incentivize Productivity and Innovation in Industry; (3) Promote Real Competition; (4) Improve Tradecraft in Services Acquisition; and (5) Reduce Non-Productive Processes and Bureaucracy.

This memorandum specifies actions that I expect you to execute either immediately or in the time frame indicated in order to implement the September 14 Guidance. Additional actions in support of these five initiatives will be developed over the next few weeks and months.

TARGET AFFORDABILITY AND CONTROLLING COST GROWTH

Mandate affordability as a requirement:

Effective November 15, 2010, I will implement affordability-based decision making at milestone decision points for all Acquisition Category (ACAT II) programs. Specifically, I direct the following actions:

Baseline Portfolio and/or Mission Area Definitions: As a basis for affordability analysis, you will use standard budget categories to the extent possible. Representative examples include: tactical wheeled vehicles, tactical aircraft, surface combatants, and communications satellites.

Milestone (MS) A: You will establish an affordability target to be treated by the program manager (PM) like a Key Performance Parameter (KPP). This affordability target (initially, average unit acquisition cost and average annual operating and support cost per unit) will be the basis for pre-MS B decision making and systems engineering tradeoff analysis. This analysis should show results of capability excursions around expected design performance points to highlight elements that can be used to establish cost and schedule trade space. The affordability target should be presented in the context of an analysis of the resources that are projected to be available in the portfolio(s) or mission area(s) associated with the program being considered for the MS A decision, assuming programmed defense budgets and force structures. In order to meet this requirement, you will provide a quantitative analysis of the program's portfolio or mission area across the life cycle of all products in the portfolio or mission area, including acquisition and operating and support budget suitability to absorb the proposed new start as a content change. Specifically, if introducing a new program into a portfolio or mission area, you should indicate what specific adjustments will be made to absorb the new program.





Implementation Within DBS OIPT and ODCMO

- **What we've done:**
 - Incorporated BBP goals into our office culture. Our appraisals are tied to implementing and improving BBP goals throughout the portfolio
- **What we are doing:**
 - Making programs aware of these goals and working with them to help achieve them
 - Mandate/focus on affordability
 - Drive productivity growth through will/cost should cost management
 - Set shorter program timelines
 - Present a competitive strategy at each milestone
 - Require open architectures and set rules for acquisition of technical data rights
 - Reduce the number of OSD level reviews to those necessary to support major decisions or execution issues
- **What needs to still be done:**
 - Identify applicable metrics to measure success in achieving goals





DBS BBP Army Example

- **What we are doing:**
 - Expanding the number (and scope) of programs that are implementing Better Buying Power Initiatives.
- **One example we found:**
 - The GCSS-Army program is and has been implementing “will cost/should cost” management (presented at Aug

RDTE & OPA TOTAL (\$M)	FY12	FY13	FY14	FY15	FY16	FY12-16 TOTAL	To Complete FY17-27	TOTAL FY12-27
WLL COST (NEWACP)	\$229.70	\$230.70	\$156.90	\$180.60	\$167.60	\$965.50	\$290.60	\$1,256.10
SHOULD COST	\$224.40	\$225.40	\$151.60	\$168.80	\$159.80	\$930.00	\$287.30	\$1,217.30

NOTE: Updated Army cost position reflected previous BBP initiatives:

- \$200M cost avoidance of a separate installation fixed base release
- \$30M partial ammunition de-scope
- \$15M reduction in enterprise licenses





Business Capability Lifecycle (BCL) Model

- **What we've done:**
 - Embraced the Business Case Lifecycle (BCL) policy which streamlines the Defense Business System acquisition process
 - Directive-Type Memo (DTM 11-009) signed 23 June 2011
- **What we are doing:**
 - Incorporating the BCL model into DoDI 5000.02
 - The following programs are at various stages of the BCL model:
 - **DEAMS** (Air Force)
 - **IPPS-A, Inc 2** (Army)
 - **IPPS-AF** (Air Force)
 - **DAI** (4th Estate-DLA)
- **What needs to still be done:**
 - Continue refining the BCL process based upon feedback and lessons learned
 - Incorporate the BCL model into the DAU curriculum





- Affordability must drive our investment decisions
- Much remains to be done – the search for acquisition efficiency will never end
- Your leadership will be the key to changing behavior and institutionalizing a more cost conscious and business performance driven acquisition system

